

FY05 Renewable Power/REC Procurement Guidance
Third Party Verification
FINAL

It is strongly encouraged that all new federal agency renewable power/renewable energy certificate (REC) RFPs include third party verification audit requirements for the purchase. The purpose of this requirement is to prevent fraud, to ensure that federal renewable power/REC purchases are not double-counted¹, to ensure that the federal government receives the renewable energy benefits associated with their renewable power/REC purchases, and to help standardize industry best practices. Sample RFPs and associated documents are available on DESC and GSA's web sites (<http://www.desc.dla.mil/DCM/DCMPage.asp?pageid=177> and <http://www.fedbizopps.gov/>) Third party verification costs are minimal for most suppliers².

RFP requirements for third party verification should meet these minimum standards that are subject to change to reflect current industry practices and procurement experience:

- 1) An independent third party shall perform the verification audit, where independent means that the third party has no commercial interest in the sale of renewable electricity or RECs. Verification shall include an audit conducted by a Certified Public Accountant or Certified Internal Auditor following appropriate standards of the American Institute of Certified Public Accountants.
- 2) The audit shall verify that:
 - (a) Sufficient RECs/renewable power was generated or procured to meet the quantity, renewable type, vintage and on-line date contract specifications.
 - (b) No double counting or double selling has occurred, including the following requirements:
 - The renewable power or RECs were sold to only one end user.
 - Electricity associated with purchased RECs was not marketed or otherwise represented as renewable power.
 - Electricity associated with a REC sale to a federal agency has not been used for compliance with any other renewable procurement, a renewable portfolio standard or any other local, state or federal government regulatory requirement.
 - The seller has transferred to the purchasing agency (or has permanently retired on behalf of the purchasing agency) the right to all emission reduction credits/allowances directly attributable to the generating unit from which the RECS are based and to which the generator is entitled (now or through future regulations), without their having been sold off separately and/or used for compliance with any local, state or federal government regulatory requirement.

¹ Double counting is when renewable power is sold more than once (as either RECs or as renewable power) or if the renewables are also used to meet a renewable portfolio standard or other federal, state or local regulatory requirement. It is also considered double counting if emissions credits/allowances or other environmental attributes are disaggregated by the renewable power/REC supplier and sold separately.

² The annual audit cost ranges from \$1,500-\$18,000 based on the FEMP Fall 2004 third party verification survey results

- If the REC was issued by a state or regional certificate tracking system, the seller has properly transferred the REC to an appropriate retirement account.
- 3) The supplier will forward the third party verification audit report to the purchaser and note any contract deficiencies.

RFPs shall also contain provisions requiring that Attestation forms and a REC Certificate of Transfer be submitted on a periodic basis (at least annually). The Attestation forms shall state that the renewable power/RECs being used for the contract meets the contract specifications. The REC Certificate of Transfer shall indicate that the title to the RECs, including all emissions attributes directly attributable to the generating unit from which the RECS are based and to which the generator is entitled have been transferred to the federal agency. Attestation forms shall be provided by the renewable plant owner and the REC supplier.